

17. Suppose that lawn mowers are part of the market basket used to compute the CPI. Then suppose that the quality of lawn mowers improves while the price of lawn mowers stays the same. If Statistics Canada precisely adjusts the CPI for the improvement in quality, then, other things equal,
- the CPI will rise.
 - the CPI will stay the same.
 - the CPI will fall.
 - lawn mowers will no longer be included in the market basket.
18. In the country of Krypton, the price of lead increased from \$20 per kilogram to \$22 per kilogram during a time when the overall price level increased by 8 percent. During this period, the real price of lead
- increased.
 - stayed the same.
 - might have increased, decreased or stayed the same; more information is needed to be sure.
 - decreased.
19. Darla, a U.S. citizen, only works in the Canada. The value added to production from her employment is
- included only in Canadian GNP.
 - included in both Canadian GDP and Canadian GNP.
 - not included in either Canadian GDP or Canadian GNP.
 - included only in Canadian GDP.
20. In computing GDP, investment is spending on
- stocks, bonds, and other financial assets.
 - new capital equipment, inventories, and structures, including new housing.
 - real estate and financial assets.
 - capital equipment, inventories, and structures, excluding household purchases of new housing.
21. You bake cookies. One day you double the time you spend, double the number of chocolate chips, flour, eggs, and all your other inputs, and bake twice as many cookies. Your cookie production function has
- increasing returns to scale.
 - constant returns to scale.
 - zero returns to scale.
 - decreasing returns to scale.
 - None of the above is correct.
22. If there are diminishing returns to capital,
- new ideas are not as useful as old ideas.
 - increases in the capital stock eventually decrease output.
 - capital produces fewer goods as it ages.
 - increases in the capital stock increase output by ever smaller amounts.
23. Dawn looks over reports on five of her workers. Carol made 25 baskets in 5 hours. Peter made 36 baskets in 6 hours. Rob made 40 baskets in 10 hours. Jack made 55 baskets in 10 hours. Darby made 22 baskets in 3 hours. Who has the greatest productivity?
- Rob
 - Jack
 - Peter
 - Carol
 - Darby
24. The relationship between the quantity of output created and the quantity of inputs needed to create it is called
- technological knowledge.